

DUKE ENERGY PROGRESS, LLC
DOCKET 2018-318-E
COMPLIANCE EXHIBIT 3 (formerly Bateman Exhibit 3)
Excess Deferred Income Tax Rider (EDIT) Revenue Requirement
FOR THE TEST PERIOD ENDED December 31, 2017
SOUTH CAROLINA RETAIL
(Dollars in thousands)

	Federal EDIT - Protected SC Retail	Federal EDIT - Unprotected, PP&E related SC Retail	Federal EDIT - Unprotected, non PP&E related SC Retail	Deferred Revenue SC Retail	NC EDIT SC Retail	Total SC Retail
	(A)	(B)	(C)	(D)	(E)	(F)
1 Regulatory liability including gross up as of 12/31/2017	[1] \$ (164,980)	\$ (47,756)	\$ 5,043	\$ -	\$ (15,176)	(222,870)
1a Regulatory liability including gross up updated as of 12/31/2018	[1(a)] \$ (152,438)	\$ (58,254)	\$ 867		(5,382)	(215,207)
2 Estimated transition of Protected to Unprotected regulatory liability during 2018	[1] \$ 5,640		\$ (5,640)			-
3 Deferred revenue for federal tax rate change as of 12/31/2018	[2]			\$ (14,960)		(14,960)
4 DERP balance offset per Nucor stipulation				\$ 6,000		6,000
5 Other changes in regulatory tax liability	[3]				\$ 4,242	4,242
6 Regulatory liability for federal tax change including gross up for Year 1 rider calculation (Sum of L1a to L5)	\$ (146,798)	\$ (58,254)	\$ (4,773)	\$ (8,960)	\$ (1,140)	(219,924)
7 Annual amortization percentage	3.70%	5.00%	20.00%	33.33%	100.00%	6.02%
8 Annual amortization amount (L6 x L7)	(5,432)	(2,913)	(955)	(2,987)	(1,140)	(13,425)
9 Years of rider amortization	27.03	20	5	3	1	

[1] Excess deferred tax liability (EDIT) as of 12/31/2017 by jurisdiction

NC EDIT liability in the 0254037 and 0253600 accounts as of 12/31/2017 forecast as of June 2019.

[1(a)] EDIT balances updated based on actual balances as of 12/31/2018, and 2018 transition between categories based on Tax analysis of this updated ADIT

[2] Compliance Exhibit 3, Page 3, Line 3. Deferred revenues in the 0229010 account as of 12/31/2018.

[3] Compliance Exhibit 3, Page 4, Line 11, Updated for regulatory liability as of 12/31/2018

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	Ratio	Rate	After Tax Weighted Average Cost of Capital (WACC)
<u>Cost of Capital per Compliance Exhibit 1</u>			
Debt	47.00%	4.16%	1.47%
Equity	53.00%	9.50%	5.04%
			6.51%
Statutory Tax Rate SC-0104 - 2017 Tax Rate, Line 10			24.95%
Retention factor for SC license tax, PSC Utility Assessment Fee			99.56%

Annual Rider Calculation

Amortization - From Page 1, L9

Year	Line	Beginning Balance, Page 1, L7	Federal EDIT - Protected	Federal EDIT - Unprotected, PP&E related	Federal EDIT - Unprotected, non PP&E related	Deferred Revenue	NC EDIT	Total Amortization (G) =(B)+(C)+(D)+ [E]+[F]	Ending Balance before Return (H) = (A) - (G)	Average of Beginning and Ending Balance (I) = ((A) + (H)) /2	EDIT Balance in Base Rates, Page 1, L1 (J)	Change in Regulatory Liability for Rider Return (K) = (I) - (J)	Return for Rider (L) = (K) x After Tax WACC	Rider Revenues (M) = (G) + (L)	Rider Revenues incl. SC license Tax, PSC Utility Assessment Fee (N) = (M) / Retention Factor
Jun 19- May 20	1	(219,924)	(5,432)	(2,913)	(955)	(2,987)	(1,140)	(13,425)	(206,499)	(\$213,212)	(222,870)	\$9,658	\$629	(12,797)	(12,854)

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	<u>Deferred Revenue for Federal Tax Rate Change in account 0229010</u>	<u>SC Retail</u>
1	Deferrals booked as of 12/31/2018	\$ (14,959,840)
2	Forecast deferrals	\$ -
3	Deferred Revenue for Federal Tax Rate Change as of 12/31/2018 (L1 + L2)	<u>\$ (14,959,840)</u>

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NC rate change tax liability (NC EDIT)

		Total SC Retail	
1	Annual amortization approved in docket 2016-227-E	\$ (12,369)	[1]
2	Tax rate in docket 2016-227-E	38.25%	
3	Current tax rate	24.95%	
4	Annual amortization approved in Docket 2016-227-E adjusted for change in federal tax rate (L1 x (1- L2) / (1- L3))	(10,177)	
5	Additional months of amortization approved in Docket 2018-205-E (Jan 1, 2019 - May 31, 2019) assuming new rates effective June 1, 2019	5	
6	Amortization (Jan 1, 2019- May 31, 2019) (L4/12 x L5)	\$ (4,240)	
7	NC deferred tax liability as of 12/31/2018, includes amounts not included in last rate case	\$ (5,380)	[2]
8	Amortization from Jan 1, 2019- May 31, 2019 (L5)	\$ (4,240)	
9	NC deferred tax liability as of 6/1/2019 (L7 - L8)	\$ (1,140)	
10	Regulatory liability as of 12/31/2018	\$ (5,380)	
11	Change in regulatory tax liability (L9 - L10)	\$ 4,240	

[1] Settlement Agreement, Attachment A, Page 4, Line 27 in Docket 2016-227-E.

[2] Per Tax Department as of December 2018